

Corporate Governance Report

Last Update: March 31, 2022

McDonald's Holdings Company (Japan), Ltd

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Please find below the company's corporate governance update.

I. Basic views on corporate governance, capital structure, corporate profile and other basic information

1. Basic views

We strive to maximize the profit of all stakeholders including shareholders, customers, employees, franchisees and suppliers. Also, we recognize the importance of enhancing the transparency and efficiency of our business and increase the sustainable growth and corporate value of the Group.

To that end, the management decision-making and supervisory functions are separated from the business execution function. This is done to establish a timely and efficient management and execution system and engage in realizing a transparent business model at high level with the participation of Outside Directors.

Reasons for non-compliance with certain principles of Japan's Corporate Governance Code [Updated]

As the company listed on the TSE, we implement all of the principles of the Corporate Governance Code.

Disclosure based on each principle of Corporate Governance Code [Updated]

【Principle 1.4 Cross-Shareholdings】

The Company doesn't hold shares of other listed companies as cross-shareholdings.

【Principle 1.7 Related Party Transactions】

The appropriateness of transactions is confirmed through the following procedures.

In general, transaction contracts are subject to review by the Legal Division, and in addition, transactions with directors are subject to the Board approval in accordance with laws/regulations and the regulations for the Board of Directors, and transactions with major shareholders, etc., except for minor transactions, are subject to the Board approval in accordance with the regulations for the Board of Directors.

【Principle 2.4 Ensuring Diversity, Including Active Participation of Women】

➢ "People Business"... It is the people themselves that supports the growth of a company. Because we believe in this, at McDonald's we value a way of work that enables people growth and play an active part in the business. To realize this, McDonald's is committed to provide an opportunity for growth, enhance talents, and recognize contributions...a "People Promise" that McDonald's made with all staff. We aim to create a workplace where a diverse team of people across gender, age, personality, and background can fully realize their strengths and contribute to business growth as a team. To realize these values, we have been implementing a variety of diversity and inclusion initiatives such as promoting career development of women. We will continue to listen to our people through a cross-company "Open Door! Team" project*1 and other means to promote (1) active involvement of diverse individuals, (2) diverse ways of working, and (3) career development of individual staff, realize diversity & inclusion that are unique to McDonald's, and aim for the further growth and development of our business.

*1 "Open Door! Team": a D&I promotion project team consisting of volunteers from within the company.

[Supplementary Principle 2.4.1 Ensuring diversity in the promotion to core human resources]

(1) Ensuring diversity

➤ Our customers' needs are diverse and continue to change at a rapid pace. In order for us to continue to meet the needs of our customers in this time and age, we believe that our organization needs to have diverse teams and value a culture that actively accepts diversity. We are working towards the realization of a diverse workplace across gender, age, personality, and background.

<Promotion of women in management roles>

➤ We have continued to promote women's advancement, and in 2008 we launched JWLN (Japan Women's Leadership Network) to collaborate with the global community and build an in-house network, the proportion of women in various positions as well as management position is increasing, offering a greater opportunity to play an active role in the business. Also, "Open Door! Team", a project run by volunteers to promote career development of women has been in action from 2019 to listen to the voices of female staff with the aim of creating and fostering a work-friendly environment, people growth, and career development. Currently, 25.4% of management positions are held by women (as of July 2021), and we are taking actions to reach 40% by 2030.

(For Reference)

■ Recipient of the 2017 Catalyst Special Award

<https://www.catalyst.org/media-release/catalyst-japan-honors-womens-advancement-initiatives-at-deutsche-bank-group-japan-lixil-group-corporation-mcdonalds-company-japan-ltd-seiyu-gk-and-sumitomo-mitsui-banking-corporo/>

■ General business owner action plan based on the Women's Achievement Promotion Act (2021 - 2022)

https://positive-ryouritsu.mhlw.go.jp/positivedb/planfile/202107091313303161654_1.pdf

■ Diversity and inclusion on the company's official website

https://www.mcdonalds.co.jp/scale_for_good/our_people/diversity_and_inclusion/

<Promotion of foreign nationals to management>

➤ We are continuing with new graduates and midcareer hires regardless of their nationality. Recently, we have been hiring 5 to 10 international graduates every year. Currently there are around 40 foreign nationals and about 10 of them are playing an active role at the head office as managers. McDonald's is a global company, and as such we want to continue to further expand the opportunity to play an active role in our business, for example by filling many more positions with talented individuals from any nationality.

<Promotion of midcareer hires to management positions>

➤ Talented midcareer hires are working at our restaurants and offices. In recent years, midcareer hires accounts for about 60% (65.5% in 2020) of total annual hires. Also, 62% of management positions are filled by midcareer hires and they are actively driving our business. The company is planning to continue with its plan to hire people with experience and knowledge in specialized fields to fill the needs of divisions and positions.

(2) Guidelines for people development and internal work environment setup to secure diversity including their status

➤ We are taking actions to create a work place where people from diverse backgrounds can play an active role and develop an organization to promote respect for individuality, prevent isolation, offer support and accept each other.

- Local salaried employee system

In September 2021, we introduced a system of limiting workplace, working hours, and position for restaurant employees so that they can work at McDonald's according to their lifestyle with peace of mind.

- Flextime program (for staff and selected restaurant employees)
- Short working hour program · Variable working hour program (restaurant employees) · Open recruitment for part time staff · Evaluation program

【Principle 2.6 Roles of Corporate Pension Funds as Asset Owners】

The Company has adopted a defined contribution pension plan.

【Principle 3.1 Full Disclosure】

(i) Business Principles, Business Strategies and Business Plans etc.

<Business Principles>

At McDonald's, our purpose is to feed and foster our communities by bringing delicious food and smiles to not only our customers, but also our employees and communities. Founded on QSC&V, McDonald's values are shared and embodied by all employees with the goal of "making delicious feel-good moments easy for everyone."

<Business Policies>

Our group's basic policy is to ensure food safety and security and to provide customers with the best possible store experience, including convenience, the highest quality, service, cleanliness and value.

In addition, our group will build good relationships with all stakeholders, including shareholders, customers, local communities, employees, franchisees, suppliers, etc., and ensure the soundness and transparency of management, and will work to achieve sustainable growth and enhance the corporate value of our group as an important management issue. In addition to complying with laws and regulations, in order to fulfill our responsibilities with respect to various "Environmental, Social and Governance (ESG)" issues, we will continue to focus on our store operations, procurement of food and materials, reduction of environmental impact, and contribution to local communities, and will leverage our strengths and scale to achieve the Sustainable Development Goals (SDGs) set as global agenda by the United Nations.

<Business Strategies>

(1) Targeted Key Management Indicators

Our group aims to increase corporate value through continuous growth and improved profitability, and uses the following items as key performance indicators.

Growth: Net sales growth rate

Profitability : Operating income growth rate, operating margin

Investment efficiency: ROE

(2) Medium- to Long-Term Corporate Management Strategy

Through 2021, our business has grown steadily, with systemwide sales, net sales, operating income, and ordinary income at all restaurants increasing for six consecutive years. From 2022, we will strengthen our business foundation and make investments in the future to achieve steady growth and meet the diverse and growing expectations of our customers.

<Financial strategy, allocation of management resources>

Our group aims to secure adequate funds for business activities, maintain liquidity, and achieve a sound financial position by generating stable operating cash flow. Our group's policy is to allocate working capital and capital investment funds mainly from its own funds generated through business activities, and to procure funds through borrowings and other means as necessary.

As for management resources, we will allocate them to investments to achieve sustainable growth and improved profitability over the medium to long term.

In addition, in terms of dividend policy, we will strive to return profits to our shareholders by comprehensively taking into account our business performance, dividend payout ratio and cash flow, while maintaining financial indicators such as equity ratio and return on equity at a reasonable level. Our basic policy is to distribute surplus once a year as a year-end dividend, and the decision-making body for the distribution of this surplus is the General Meeting of Shareholders.

<Medium-term company business plan>

The Company has announced a medium-term management plan for the fiscal year from 2022 to 2024 in the announcement of 2021 Full Year Earnings Release

(https://ircms.irstreet.com/contents/data_file.php?template=2095&brand=74&data=331328&filename=pdf_file1.pdf).

(ii) Basic Views and Guidelines on Corporate Governance

We strive to maximize the profit of all stakeholders including shareholders, customers, employees, franchisees and suppliers. Also, we recognize the importance of enhancing the transparency and efficiency of our business and increase the sustainable growth and corporate value of the Group.

To that end, the management decision-making and supervisory functions are separated from the business execution function. This is done to establish a timely and efficient management and execution system and engage in realizing a transparent business model at high level with the participation of Outside Directors.

(iii) Board Policies and Procedures: Remuneration of Senior Management and Directors

In order to ensure transparency and objectivity in the Company's decision-making regarding remuneration for directors, the Company has voluntarily established the Compensation Committee, which is chaired by an independent outside director. The Compensation Committee determines compensation in accordance with the policy established by the Board of Directors.

The policy in determining the remuneration of Directors is as follows.

1. Basic policy

Compensation for board members of the company shall be linked to the company's business performance so as to function sufficiently as an incentive for sustainable enhancement of corporate value. The basic policy is as follows.

- To determine compensation of individual members at a level that is appropriate in light of their respective responsibilities and competitive in comparison with other companies in the same industry and companies of the same size in other industries.
- While developing excellent talents within the company, compensation level is set at competitive and effective level which enables to attract diverse outstanding talents as board members from in and out of the country.

Specifically, compensation for executive directors shall consist of basic compensation and retirement allowance as fixed compensation and performance-based compensation including stock price linked compensation, etc. Outside board members who are responsible for supervisory functions shall be paid basic

compensation and retirement allowance in consideration of their duties.

2. Policy to determine the compensation amount, etc. for each individual as basic compensation (including policies to determine the timing or conditions for offering compensation, etc.)

Basic compensation (monetary) for board members of the company shall be fixed monthly compensation which shall be determined in accordance with their roles, responsibilities, years of service and other factors, taking into consideration the level of other companies, business performance of the company, the level of employee salaries and evaluations in a comprehensive manner. The basic compensation shall be paid at a fixed time every month, and no special conditions shall be set for payment.

The standard for retirement allowance is regulated by retirement allowance regulations based on compensation, period, title, and contributions as a board member. It will be determined and paid at the time of retirement based on the regulations.

3. Policy to determine details of performance-based compensation, etc. and the method for calculating the amount (including policies to determine the timing or conditions for offering compensation, etc.)

Performance-based compensation, etc. consists of (i) compensation reflecting performance indicators (KPI) to raise awareness towards the improvement of business performance for each fiscal year and (ii) compensation using a pseudo-share format of the company's shares to raise awareness towards the improvement of corporate value over the medium-to-long term. (i) The amount calculated in accordance with the degree of achievement against the target value and evaluations shall be paid at a certain time every year. Target performance indicators and their values shall be set so that they are consistent with the targets for the relevant fiscal year. (ii) The number of pseudo-shares determined in accordance with the roles, responsibilities and evaluations shall be granted at a certain time each year. When exercising the right, the amount calculated in accordance with the company's stock price shall be paid as monetary compensation at the time rights are exercised.

4. Policy to determine the ratio of the amount of monetary compensation, the amount of performance-based compensation, etc. or the amount of non-monetary compensation, etc., to the amount of compensation, etc., of individual board members

The ratio of compensation for each type of executive director shall be determined within the range of the following percentage table based on the level of compensation benchmarked against companies of a similar business scale or in a related industry or business category, and shall be composed by comprehensively taking into account the role and responsibilities of each individual by the Compensation Committee.

Table of percentages for each role (When each individual's basic compensation is set at 100)

	Basic compensation	Performance-based compensation (1) Single year	Performance-based compensation (2) Medium- to long-term
Representative Director	100	40-80	20-100
Inside Director	100	30-70	15-100
Outside Director	100	0	0

* The ratio of performance-based compensation (① and ②) is when the target is 100% achieved (the standard amount is applied).

* Even within the same job title, the percentage of compensation by type will be determined for each individual.

* When the Compensation Committee decides that there is a reasonable grounds, performance based compensation can be granted exceeding the above.

* Percentage will not be set for the amount of retirement allowance.

5. Matters relating to the determining of details of individual compensation, etc. of board members
The amount of compensation for each individual (including retirement allowance) shall be determined by the Compensation Committee in accordance with the above policy based on the delegation from the Board of Directors.

(i v) Board policies and procedures in the appointment/dismissal of the senior management and the nomination of directors and *kansayaku* candidates;

A proposal for appointment/dismissal of the senior management and nomination of directors and *kansayaku* candidates shall be created by representative directors, based on the required qualifications for directors and *kansayaku* and the policy on the composition of the Board of Directors as set forth in this report. After deliberation of the proposal by the Nomination Committee and after obtaining consent of the *Kansayaku* Board specially for nomination of *Kansayaku* candidates, the proposal shall be resolved by the Board of Directors.

(v) The reasons for the appointment of individual candidates for Directors and *Kansayaku* are as follows.

Sarah L. Casanova

Ms. Sarah L. Casanova has served as the head of marketing and managing director of several McDonald's companies overseas for many years, and has led the Company group as the representative director, president and chief executive officer of the Company (since 2014) and its subsidiary (since 2013), and as the representative director and chairman of the Company (since 2021) and its subsidiary (since 2019). She has a wealth of experience and extensive insight into the McDonald's business and management. Based on her past achievements in her duties and her abundant insight, the Company judged that she can continue to contribute to the enhancement of the corporate value of the Company and elected her as a director.

Tamotsu Hiiro

Mr. Tamotsu Hiiro has served as the president and representative director of Johnson & Johnson K.K. and other positions, and has led the Company group as a director of the Company and the representative director, president and chief executive officer of the subsidiary of the Company since 2019 and as the representative director, president and chief executive officer of the Company and its subsidiary since 2021, and he has a wealth of experience as a director of the Company and extensive insight into McDonald's business and management. Based on his past performance in his duties and his abundant insight, we believe that he can continue to contribute to the enhancement of the corporate value of the Company and have elected him as a director.

Atsuo Shimodaira

Mr. Atsuo Shimodaira has been engaged in sales-related business at the Company and its subsidiary for many years, and has been engaged in his duties as the representative director, executive vice president and chief operating officer of the Company and its subsidiary since 2015. He has a wealth of experience as the chief operating officer of the Company's business and a wealth of insight into the McDonald's business and the Company's operations. Based on his past performance in his duties and his abundant insight, we believe that he can continue to contribute to the enhancement of the corporate value of the Company and have elected him as a director.

Robert D. Larson

Mr. Robert D. Larson has served as a managing director and president of several McDonald's companies overseas for many years, and served as the chairman of the Board of Directors of the Company from 2015 to 2021 and has served as a director since then. He has a wealth of experience in strengthening the Company's management and the functions of the Board of Directors, as well as extensive insight into the McDonald's business. Based on his past performance in his duties and abundant insight, the Company judged that he can continue to contribute to the enhancement of the corporate value of the Company and elected him as a director.

Arosha Wijemuni

Mr. Arosha Wijemuni has served as senior finance director and vice president of franchising of several McDonald's companies overseas for many years, and has served as a director of the Company since 2016. He has a wealth of experience in advising on franchise businesses and a wealth of insight into the McDonald's business. Based on his past performance in his duties and his extensive insight, we believe that he can continue to contribute to the enhancement of the corporate value of the Company and have therefore elected him as a director.

Jo Sempels

Mr. Jo Sempels has served as a head of finance and human resources and a managing director of several McDonald's companies overseas for many years and has a wealth of experience and achievements as an executive, as well as extensive insight into finance, human resources and McDonald's business. Based on his past performance in his duties and his abundant insight, we have judged that he can contribute to the enhancement of the corporate value of the Company and have therefore elected him as an outside director.

Akira Kawamura

As a lawyer, Mr. Akira Kawamura has served as a partner of a law firm, the president of the International Bar Association (IBA), and the president of the Japan Association of Arbitrators, and has a wealth of experience and achievements as a lawyer in Japan and overseas, as well as a wealth of insight in corporate legal affairs, compliance, international legal affairs, and arbitration. Based on this wealth of experience and insight, he has given valuable advice and opinions on the Company's management from an independent and objective perspective as an outside director of the Company since 2002. Based on this and other factors, the Company judged him to be suitable for continuing to strengthen the effectiveness of the supervisory function of the Board of Directors of the Company and appointed him as an independent outside director.

Masataka Ueda

Mr. Masataka Ueda has served as a representative director, etc. of several companies and has abundant experience and achievements as a manager, as well as extensive insight into finance, marketing, human resources, etc. Based on this wealth of experience and insight, he has given valuable advice and opinions on the Company's management from an independent and objective perspective as an outside director of the Company since 2016. Based on this and other factors, the Company judged that he is qualified to continue to strengthen the effectiveness of the supervisory function of the Board of Directors of the Company and appointed him as an independent outside director.

Tetsu Takahashi

Mr. Tetsu Takahashi, as a lawyer, has served as a partner of a law firm and as an outside director and outside audit & supervisory board member of several companies, and has a wealth of experience and achievements

as a lawyer and as an outside director, as well as extensive insight into legal, compliance and corporate governance etc. Based on his wealth of experience and insight, he has been making useful comments from an independent and objective perspective as an outside director of the Company's subsidiary since 2007. Based on this and other factors, the Company judged that it would be appropriate to appoint him as an outside director of the Company in order to further strengthen the effectiveness of the supervisory function of the Board of Directors of the Company and appointed him as an independent outside director.

Takaaki Ishii

Mr. Takaaki Ishii has been engaged in finance-related business at the Company and its subsidiaries for many years, and has been engaged in business as a full-time *kansayaku* of the Company and its subsidiary since 2012, and has a wealth of experience in auditing and a wealth of insight into the McDonald's business, finance, accounting and auditing. Based on his past performance in his duties and his extensive insight, we believe that he is well qualified to continue to strengthen the supervisory and auditing functions of *kansayaku* of the Company and have therefore appointed him as *kansayaku*.

Ellen Caya

Ms. Ellen Caya has taken charge of internal audit for years in other companies and McDonald's Corporation, an American corporation which grants, as licensor, to McDonald's Company (Japan), Ltd., a right to operate McDonald's business, and has thorough knowledge and experiences in auditing, corporate governance and accounting. Based on this wealth of experience and insight, she has given valuable advice and opinions from an objective standpoint as an outside *kansayaku* of the Company since 2020. Based on this and other factors, the Company judged that she is qualified to continue to strengthen the supervisory and auditing functions of the *Kansayaku* Board of the Company and appointed her as an outside *kansayaku*.

Yuko Tashiro

Yuko Tashiro is a U.S. certified public accountant who has served as a partner of an auditing firm, a financial officer of several companies, and a representative director, etc. She has abundant experience and achievements as an accountant and manager, as well as professional knowledge of corporate accounting and extensive insight into corporate management. Based on this wealth of experience and insight, she has given valuable advice and opinions from an independent and objective standpoint as an outside *kansayaku* of the Company since 2016. Based on this and other factors, the Company judged that she is qualified to continue to strengthen the supervisory and auditing functions of the *Kansayaku* Board of the Company and appointed her as an independent outside *kansayaku*.

Yoshiyuki Honda

Mr. Yoshiyuki Honda is a certified public accountant and a U.S. certified public accountant who has been engaged in auditing business, and has also served as CFO and representative director and representative executive officer of several companies, and has abundant experience and achievements as CFO and manager, as well as expert knowledge on corporate accounting and finance, and extensive insight on corporate management. Based on this experience and insight, he has given valuable advice and opinions from an independent and objective standpoint as an outside *kansayaku* of the Company since 2016. Based on this and other factors, the Company judged that he is suitable for continuing to strengthen the supervisory and auditing functions, etc. of *Kansayaku* Board of the Company and appointed him as an independent outside *kansayaku*.

【Supplementary Principle 3.1.3 Sustainability Initiatives】

Our group's sustainability initiatives and investments in human capital, etc. are disclosed on the following website.

<https://www.mcdonalds.co.jp/company/csr/>

【Supplementary Principle 4.1.1 Scope of delegation to management】

In accordance with regulation of the Board of Directors and internal rules, the Board of Directors shall resolve matters regarding Shareholders Meeting and Board of Directors, business plans, commencement of important new business and expansion or downsizing of business, other than those stipulated by laws and other important business operations, and delegates other matters to the President and Representative Director and other members of the management team.

【Principle 4.8 Effective Use of Independent Directors】

Three directors, or one-third of the Company's nine directors, are independent outside directors.

【Principle 4.9 Independence Standards and Qualifications for Independent Directors】

The Company shall determine that the Company's Outside Directors and Outside *Kansayaku* possess sufficient independence from the company when all of the following requirements are satisfied:

1. Individuals who have not satisfied either of the following conditions (A) through (G) for the past three fiscal years:

(A) An entity for which the Company or its subsidiary (the "Company Group") is a major client*1 or business personnel*2 thereof.

(B) A major client of the Company Group*3 or business personnel thereof.

(C) A major shareholder (directly or indirectly holding a voting interest of 10% or more) of the Company or business personnel thereof.

(D) A consultant, accounting expert or legal expert who has received compensation in the form of a large amount of money or other assets*4, other than officer's compensation from the Company Group (or an individual belonging to an entity such as a corporation, association, or other group that has received such assets).

(E) An independent auditor of the Company Group (or an individual belonging to a corporation, association or other group that serves as an independent auditor of the Company Group).

(F) Business personnel of the other company in cases where the business personnel of the Company Group have been appointed as outside officers of other companies.

(G) An entity which has received a large amount of money or other assets as donation from the Company Group or business personnel thereof.

2. The individual is not a relative*5 of a person who meets either of the following conditions "a." or "b."

a. An individual who satisfies any of the foregoing conditions (A) through (E) in Section 1 above for one of the past three fiscal years. However, the business personnel stipulated in conditions (A) through (C) shall refer only to key business personnel*6. Condition (D) or (E) shall apply only to persons with specialized qualifications, such as certified public accountants and lawyers.

b. Key business personnel of the Company Group in the current fiscal year or any of the past 3 fiscal years. (In the case of outside auditors, key business personnel include non-executive directors)

Notes.:

1. An entity for whom the Company Group is a major client refers to a supplier the trading amount with the Company Group of which exceeds the higher of ¥100 million or 2% of the consolidated net sales of the supplier group, in the most recent fiscal year.
2. Business personnel refers to the executive directors, executive officers, other officers who execute the operations of corporations, etc., ordinary employees and others who conduct business operation.
3. A major client of the Company Group refers to an entity that satisfies any of the following conditions:
 - (1) A client the Company Group's trading amount with which exceeds 2% of the Company Group's consolidated net sales, in the most recent fiscal year.
 - (2) An entity from which the Company Group has borrowed funds, where the total amount of the Company Group's borrowings from the financial institutions exceeds 2% of the Company Group's consolidated total assets in the most recent fiscal year.
4. A large amount of money or other assets refers to a monetary compensation value per fiscal year exceeds the higher of ¥10 million or 2% of the entity's net sales in the most recent fiscal year.
5. Relatives refer to spouses, relatives within the second degree of kinship and those with whom a livelihood is shared.
6. Key business personnel refer to business personnel such as executive directors, executive officers and other officers who execute the operations of corporations, etc., as well as those who execute key operations, such as division managers.

【Supplementary Principle 4.10.1 Authority and role of the Nomination Committee and Compensation Committee】

The Board of Directors shall establish the Nomination Committee and the Compensation Committee. The Nomination Committee shall deliberate on appointment/dismissal of senior management and nomination of directors and *kansayaku*, and shall communicate the results of its deliberations to the Board of Directors for its deliberation and resolution, and each director shall make decisions with reference to such results. The Compensation Committee shall determine the specific amount of compensation, calculation method and other conditions for Directors based on the policy established by the Board of Directors and under the delegation by the Board of Directors.

The majority members and the chairpersons of the Nomination Committee and the Compensation Committee shall be appointed from independent directors, in order to ensure their independence.

【Supplementary Principle 4.11.1 Policy on Diversity of the Board of Directors, etc.】

Our directors and *kansayaku* need to have a diverse and high level of knowledge, experience, and ability in order to supervise the execution of business and make important decisions. In particular, we believe that it is necessary to incorporate a wide range of knowledge and experience in business management including marketing and IT, and specialized knowledge in the areas of law, finance and accounting and human resources in addition to knowledge of McDonald's Business. From the perspective of diversity and inclusion, we also believe it is important to maintain diversity in terms of gender, nationality, and background. In order to enable active and substantive deliberations, the maximum number of Directors and *kansayaku* shall be ten (10) and four (4), respectively, as stipulated in the Articles of Incorporation.

Based on the above, we have prepared the following skill matrix and analyzed the skills of the current directors and *Kansayaku*, and confirmed that the current directors and *Kansayaku* meet the above requirements

Name	Position	Top Management in Listed Company	Marketing	IT	Law/ Compliance	Finance Accounting	Human Resources	Global Business	CSR	McDonald's Business
Sarah L. Casanova	Representative Director, Chairman	○	○				○	○		○
Tamotsu Hiiro	Representative Director, President and CEO	○	○				○	○	○	○
Atsuo Shimodaira	Representative Director, Executive Vice President and COO	○					○			○
Robert D. Larson	Director	○					○	○		○
Arosha Wijemuni	Director					○		○		○
Jo Sempels	Director	○				○	○	○		○
Akira Kawamura	Independent Director				○				○	
Masataka Ueda	Independent Director	○	○			○	○	○	○	
Tetsu Takahashi	Independent Director				○				○	
Takaaki Ishii	Full-time <i>Kansayaku</i>					○				○
Ellen Caya	Outside <i>Kansayaku</i>					○		○		○
Yuko Tashiro	Independent <i>Kansayaku</i>	○				○	○	○	○	
Yoshiyuki Honda	Independent <i>Kansayaku</i>	○		○		○		○		

(Note: This skills matrix does not represent all knowledge and experience of Directors and).

[Supplementary Principle 4.11.2 Status of concurrent positions of directors and *Kansayaku*]

The number of concurrent positions held by the Company's directors and *Kansayaku* at other listed companies is kept within reasonable limits.

The status of important concurrent positions held by the Company's directors and *Kansayaku* are as follows.

Position in the Company	Name	Name and position of the company at which you hold concurrent positions
Representative Director, Chairperson	Sarah L. Casanova	McDonald's Company (Japan), Ltd.: Representative Director, Chairperson
Representative Director, President and CEO	Tamotsu Hiiro	McDonald's Company (Japan), Ltd.: Representative Director, President and CEO

Representative Director, Executive Vice President and COO	Atsuo Shimodaira	McDonald's Company (Japan), Ltd.: Representative Director, Executive Vice President and COO
Director	Arosha Wijemuni	McDonald's Global Franchising Limited: Corporate Vice President, Global Franchising Officer
Director	Jo Sempels	McDonald's Corporation: Senior Vice President International Developmental Licensed Markets
Independent Director	Akira Kawamura	Anderson Mori & Tomotsune: Of Counsel, Lawyer Adviser of Japan Association of Arbitrators Disciplinary Tribunal member of World Athletics
Independent Director	Masataka Ueda	Director of The Board Director Training Institute of Japan, Public Interest Incorporated Association Chairman of NPO Eggshell Membrane Association Adviser of Scala, Inc. Outside Director of Higashi-Nippon Bank, Ltd. Senior Director of Japan Golf Tour Organization
Independent Director	Tetsu Takahashi	Representative Lawyer, ITN Law Office, Outside Director (Audit & Supervisory Committee Member) of Nomura Real Estate Holdings, Inc.
Full-Time <i>Kansayaku</i>	Takaaki Ishii	McDonald's Company (Japan), Ltd.: Full-Time Statutory Auditor
Outside <i>Kansayaku</i>	Ellen Caya	McDonald's Corporation: Vice President, Internal Audit and Chief Audit Executive
Independent <i>Kansayaku</i>	Yuko Tashiro	Director, Chairman of the Board of Accordia Golf Co., Ltd. Director, Chairman of the Board of Next Golf Management Co., Ltd. Outside Director of Yamaha Motor Co., Ltd. Director of NPO Mirai Kaihatsu Kenkyujo Director of NPO The First Tee of Japan
Independent <i>Kansayaku</i>	Yoshiyuki Honda	Representative Executive Officer and CFO, Sumida Corporation

【Supplementary Principle 4.11.3 Evaluating the Effectiveness of the Board of Directors】

In order to improve the functioning of the Board of Directors, the Company will analyze and evaluate the effectiveness of the Board of Directors once a year based on the following perspectives at a meeting of the Board of Directors, based on a questionnaire survey conducted to each Director and Corporate Auditor.

- 1) Size and composition of the Board of Directors
- (2) Method of operation of the Board of Directors
- (3) Roles and responsibilities of the Board of Directors
- (4) Provision of information and training to directors and auditory & supervisory board members
- (5) Relationship with investors and shareholders

The results of the above analysis and evaluation for fiscal 2021 are as follows.

1 Summary of Analysis and Evaluation Results

(1) Conclusion

The Board of Directors of the Company assessed that the Board of Directors as a whole was effectively fulfilling its roles and responsibilities in 2021.

(2) Analysis and Evaluation

(a) Size and composition of the Board of Directors

- Although there is room for further improvement in the composition of the Board of Directors, the Board of Directors' diversity (knowledge, experience, ability, gender, internationality, age, etc.) of its members (including *Kansayaku*) is adequately secured at present.

(b) Method of operation of the Board of Directors meetings

- The frequency of the Board of Directors meetings (once a month in principle), the schedule of the meetings, the number and contents of items to be discussed at the Board of Directors meetings, the deliberation time, and the explanations given on the day of the meetings were evaluated to be appropriate.

- In addition, the Board of Directors was highly evaluated for the atmosphere of free and constructive discussion and exchange of opinions at the Board of Directors meetings, the active expression of opinions by Directors and *Kansayaku*, including Outside Directors and *Kansayaku*, and the appropriateness of the proceedings by the Chairperson of the Board of Directors.

- On the other hand, the timing and amount of materials distributed at the Board of Directors' meetings were evaluated as needing further improvement.

(c) Roles and Responsibilities of the Board of Directors

- With regard to the roles and responsibilities of the Board of Directors, the Board of Directors as a whole was evaluated to be effective in supervising management, which is one of the important roles and responsibilities of the Board of Directors, including the fact that the Board of Directors appropriately supervises the management's response to major risks that may have a significant impact on the Company's finances and operations, and that the Board of Directors appropriately manages conflicts of interest with the management and major shareholders.

- On the other hand, discussions on the appointment and dismissal of directors and representative directors, and the supervision of succession planning by CEOs and other directors were confirmed to be in need of improvement in light of the Corporate Governance Code.

(d) Provision of information and training to directors and *Kansayaku*

- Although the provision of information and training to directors and *Kansayaku* was generally highly evaluated, there were some opinions that it needs to be further strengthened. In particular, it was evaluated as needing further improvement that there are cases where necessary information is not properly provided to outside directors and *Kansayaku* outside the Board of Directors.

(e) Relationship with investors and shareholders

- Financial information, such as the company's financial position and operating results, and non-financial information, such as management strategies, management issues, risks, governance, and other information related to ESG factors, were evaluated as being disclosed and provided to users in a manner that is accurate, easy for users to understand, and highly useful as information.

【Supplementary Principle 4.14.2 Training Policy for Directors and *Kansayaku*】

We provide explanations of legal responsibility as directors or *kansayaku*, and our systems and businesses to newly appointed directors and *kansayaku*, and also provide such explanations at appropriate opportunities thereafter. We also invite them to attend the "Kick-off Meeting," a business briefing session including franchisees and business partners at the beginning of the year, as well as various other briefing sessions held by the Company, and invite them to participate in product tasting, in order to deepen their understanding of the Company's business and products. In addition, the Company will take necessary measures, including providing and mediating opportunities and supporting expenses, to enable directors and *Kansayaku* to attend external trainings, etc., when necessary.

【Principle 5.1, Supplementary Principle 5.1.2 Policy for Constructive Dialogue with Shareholders】

The Company's policy on the development of systems and initiatives to promote constructive dialogue with shareholders is as follows.

(i) General dialogue with shareholders

The Company has appointed a person in charge of investor relations to oversee overall dialogue with shareholders, and established a division under his or her direction that is responsible for investor relations.

(ii) Organic cooperation between divisions

The division in charge of IR shares information as appropriate with the divisions in charge of public relations, corporate planning, general affairs, accounting, legal affairs, etc. In addition, depending on the case, a unified project is set up under the supervision of the person in charge of IR to ensure organic cooperation among the divisions.

(iii) Enhancement of the means of dialogue

In addition to responding individually to inquiries from shareholders and investors in each division, the Representative Director provides explanations to shareholders and investors at the general shareholders meetings and at the financial results briefings for the fiscal year and the second quarter. Other briefing sessions are also held as necessary.

(iv) Feedback on the dialogue with shareholders

The person in charge of IR shares the details of dialogue with shareholders and investors with the Board of Directors, Representative Director and other senior management as appropriate.

(v) Information management

The Company has established rules for the prevention of insider trading and for the management of confidential information, and manages information accordingly. We will not provide insider information in dialogue with shareholders or investors.

2. Capital structure

Foreign shareholding ratio	More than 30%
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Major shareholders [Updated]

Name / Company name	Number of shares owned	Percentage (%)
McDonald's Restaurants of Canada, Limited	33,575,000	25.25
MCD APMEA SINGAPORE INVESTMENTS PTE. LTD.	13,385,000	10.07
JPMorgan Securities Japan Co., Ltd	1,633,184	1.23
The Master Trust Bank of Japan, Ltd. (Account in Trust)	1,276,100	0.96
BNYM SA/NV FOR BNYM FOR BNYM GCM CLIENT ACCTS M ILM FE	1,076,547	0.81
BNYM TREATY DTT 15	1,022,748	0.77
UBS AG LONDON A/C IPB SEGREGATED CLIENT ACCOUNT	993,500	0.75
STATE STREET BANK WEST CLIENT-TREATY 505234	980,162	0.74
GOLDMAN SACHS INTERNATIONAL	873,140	0.66
MSCO CUSTOMER SECURITIES	777,395	0.56

Controlling shareholder (except for parent company)	None
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Parent company	None
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Supplementary information

None

3. Corporate profile

Listed stock market and market section	Tokyo JASDAQ
Fiscal year-end	December
Type of business	Retail
Number of employees (consolidated) as of the previous fiscal year-end	More than 1,000
Net sales (consolidated) in the previous fiscal year	More than ¥100 billion and less than ¥1 trillion
Number of consolidated subsidiaries as of the previous fiscal year-end	Less than 10

4. Policy on measures to protect minority shareholders in conducting transactions with controlling shareholder

None

5. Other special circumstances that may have material impact on corporate governance

None

II. Business management organization and other corporate governance systems regarding decision-making, execution of business, and oversight in management

1. Organizational composition and operation

Organization form	Company with Kansayaku Board
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Directors [Updated]

Maximum number of Directors stipulated in the articles of Association	10
Term of office of Directors stipulated in the articles of Association	2 years
Chairperson of the board	President
Number of Directors	9
Appointment of Outside Directors	Appointed
Number of Outside Directors 3	4
Number of Independent Directors	3

Outside Directors' relationship with the Company (1) [Updated]

Name	Attribute	Relationship with the Company *										
		a	b	c	d	e	f	g	h	i	j	k
Jo Sempels	From another company							○				
Akira Kawamura	Lawyer											
Masataka Ueda	From another company											
Tetsu Takahashi	Lawyer											

* Categories for "Relationship with the Company"

"○" when the Director presently falls or has recently fallen under the category

"△" when the Director fell under the category in the past

"○" when a close relative of the Director presently falls or has recently fallen under the category

"▲" when a close relative of the Director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive Director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. Party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the Company or an executive thereof

f. Consultant, accounting or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a Director/Kansayaku

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the Director himself/herself only)

i. Executive of a company, between the Company and which Outside Directors/Kansayaku are mutually appointed (the Director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the Director himself/herself only)

k. Others

Outside Directors' relationship with the Company: 2 [Updated]

Name	Designation as Independent Director	Supplementary information of the relationship with the Company	Reasons for appointment
Jo Sempels		He is the senior Vice President of the International Developmental Licensed Markets of the U.S. McDonald's Corporation that indirectly holds 35.32% (as of December 31, 2021) of the Company's shares.	Mr. Jo Sempels has served as a head of finance and human resources and a managing director of several McDonald's overseas for many years and has a wealth of experience and achievements as executives, as well as extensive insight into finance, human resources and McDonald's business. Based on his past performance in his duties and his abundant insight, we have judged that he can contribute to the enhancement of the corporate value of the Company and appointed him as an outside director
Akira Kawamura	○	-	As a lawyer, Mr. Akira Kawamura has served as a partner of a law firm, the President of the International Bar Association (IBA), and the President of the Japan Association of Arbitrators, and has a wealth of experience and achievements as a lawyer in Japan and overseas, as well as a wealth of insight in corporate legal affairs, compliance, international legal affairs, and arbitration. Based on this wealth of experience and insight, he has given valuable advice and opinions on the Company's management from an independent and objective perspective as an outside director of the Company since 2002. Based on this and other factors, the Company judged him to be suitable for continuing to strengthen the effectiveness of the supervisory function of the Board of Directors of the Company and appointed him as an independent outside director. Also, he is listed as an independent director in the Tokyo Stock Exchange, based on our judgment that he meets the independence standards set forth in the "Guidelines for Listing Management, etc." and the Standards and Qualifications for Independence set forth by the Company, and since there is no special interest in the Company, he will not cause any possible conflicts of interest with general shareholders.
Masataka Ueda	○	-	Mr. Masataka Ueda has served as a representative director, etc. of several companies and has abundant experience and achievements as a manager, as well as extensive insight into finance, marketing, human resources, etc. Based on this wealth of experience and insight, he has given valuable advice and opinions on the Company's management from an independent and objective perspective as an outside director of the Company since 2016. Based on this and other factors, the

			<p>Company judged that he is qualified to continue to strengthen the effectiveness of the supervisory function of the Board of Directors of the Company and appointed him as an independent outside director.</p> <p>Also, he is listed as an independent director in the Tokyo Stock Exchange, based on our judgment that he meets the independence standards set forth in the "Guidelines for Listing Management, etc." and the Standards and Qualifications for Independence set forth by the Company, and since there is no special interest in the Company, he will not cause any possible conflicts of interest with general shareholders.</p>
Tetsu Takahashi	○	–	<p>Mr. Tetsu Takahashi, as a lawyer, has served as a partner of a law firm and as an outside director and outside audit & supervisory Board member of several companies, and has a wealth of experience and achievements as a lawyer and as an outside director, as well as extensive insight into legal, compliance and corporate governance etc. Based on his wealth of experience and insight, he has been making useful comments from an independent and objective perspective as an outside director of McDonald's Company (Japan), Ltd, a subsidiary of the Company, since 2007. Based on this and other factors, the Company judged that it would be appropriate to appoint him as an outside director of the Company in order to further strengthen the effectiveness of the supervisory function of the Board of Directors of the Company, and appointed him as an independent outside director.</p> <p>Also, he is listed as an independent director in the Tokyo Stock Exchange, based on our judgment that he meets the independence standards set forth in the "Guidelines for Listing Management, etc." and the Standards and Qualifications for Independence set forth by the Company, and since there is no special interest in the Company, he will not cause any possible conflicts of interest with general shareholders.</p>

Voluntary establishment of committee(s) corresponding to a nominating committee or remuneration committee

Established

Voluntary establishment of committee corresponding to	Name of committee	Number of total members	Full-Time member (X)	Internal Director (X)	Outside Director (X)	Outside Expert (X)	Others (X)	Chairman
nominating committee	Nomination committee	5	0	2	3	0	0	Outside Director
remuneration committee	Compensation committee	5	0	2	3	0	0	Outside Director

Supplementary information [Updated]

The Nomination Committee and the Compensation Committee have been established as an optional advisory bodies under the Board of Directors to ensure objectivity and transparency in matters such as the selection/dismissal of Director and remuneration of Directors. The members of these committees are selected by the Board of Directors and a majority of the members of these committees are Independent Outside Directors. These committees are chaired by Independent Outside Directors.

The Nomination Committee deliberates on the selection and dismissal of Directors and *Kansayaku*, and the Board of Directors makes decisions on the selection and dismissal of Directors and *Kansayaku*, referring to the results of the deliberations.

The members of the Nomination Committee are as follows:

Masataka Ueda (Chairperson of the Nomination Committee / Independent Outside Director), Sarah L. Casanova (Representative Director, Chairperson of the Board), Robert D. Larson (Director), Akira Kawamura (Independent Outside Director), Tetsu Takahashi (Independent Outside Director)

In Addition, remuneration for Directors is determined by the Compensation Committee. The remuneration decision for the Director who is a member of the Remuneration Committee will be made by the other members of the Remuneration Committee. The Compensation Committee determines the specific amount of remuneration or calculation method and other conditions for Directors based on the policy established by the Board of Directors and the delegation from the Board of Directors.

The members of the Compensation Committee are as follows:

Akira Kawamura (Chairperson of the Compensation Committee / Independent Director), Sarah L. Casanova (Representative Director, Chairman of the Board), Robert D. Larson (Director), Masataka Ueda (Independent Outside Director), Tetsu Takahashi (Independent Outside Director)

Kansayaku

Establishment of Kansayaku Board	Established
Maximum number of Kansayaku Board stipulated in the Articles of Association	4
Number of Kansayaku Board	4

Cooperation among Kansayaku , Independent Auditors and Internal Audit Function

Ernst & Young ShinNihon LLC, the Independent Auditor, Internal Audit and the Kansayaku Board are responsible for reporting the results of statutory audits based on the Corporate Law and the Financial Instruments and Exchange Act. In addition, collaborations are made including a mutual exchange of information and opinions as required, striving to secure the effectiveness and efficiency of audits.

Appointment of Outside Kansayaku	Appointed
Number of Outside Kansayaku	3
Number of Independent Kansayaku	2

Outside Kansayaku's relationship with the Company: 1

Name	Attribute	Relationship with the Company *											
		a	b	c	d	e	f	g	h	i	j	k	
Ellen Caya	From another company										○		
Yuko Tashiro	CPA												
Yoshiyuki Honda	CPA												

* Categories for "Relationship with the Company"

"○" when the Kansayaku presently falls or has recently fallen under the category

"□" when the Kansayaku fell under the category in the past

"○" when a close relative of the Kansayaku presently falls or has recently fallen under the category

"▲" when a close relative of the Kansayaku fell under the category in the past

a. Executive of the Company or its subsidiary

b. Non-executive Director or accounting advisor of the Company or its subsidiaries

c. Non-executive Director or executive of a parent company of the Company

d. Kansayaku of a parent company of the Company

e. Executive of a fellow subsidiary company of the Company

f. Party whose major client or supplier is the Company or an executive thereof

g. Major client or supplier of the Company or an executive thereof

h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an Kansayaku

i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Kansayaku himself/herself only)

k. Executive of a company, between the Company and which Outside Directors/Kansayaku are mutually appointed (the Kansayaku himself/herself only)

l. Executive of a company or organization that receives a donation from the Company (the Kansayaku himself/herself only)

m. Others

Outside Kansayaku's relationship with the Company: 2 [Updated]

Name	Designation as Independent Kansayaku Board Member	Supplementary information of the relationship with the Company	Reasons for appointment
Ellen Caya		She is the Vice President, Internal Audit and Chief Audit Executive of the U.S. McDonald's Corporation that indirectly holds 35.32% (as of December 31, 2021) of the Company's shares.	Ms. Ellen Caya has taken charge of internal audit for years in other companies and McDonald's Corporation, an American corporation which grants, as licensor, to McDonald's Company (Japan), Ltd., a right to operate McDonald's business, and has thorough knowledge and experiences in auditing, corporate governance and accounting. Based on this wealth of experience and insight, she has given valuable advice and opinions from an objective standpoint as an outside <i>kansayaku</i> of the Company since 2020. Based on this and other factors, the Company judged that she is qualified to continue to strengthen the supervisory and auditing functions of the <i>kansayaku</i> Board of the Company and appointed her as an outside <i>kansayaku</i> .
Yuko Tashiro	○	–	Yuko Tashiro is a U.S. certified public accountant who has served as a partner of an auditing firm, a financial officer of several companies, and a representative director, etc. She has abundant experience and achievements as an accountant and manager, as well as professional knowledge of corporate accounting and extensive insight into corporate management. Based on this wealth of experience and insight, she has given valuable advice and opinions from an independent and objective standpoint as an outside <i>kansayaku</i> of the Company since 2016. Based on this and other factors, the Company judged that she is qualified to continue to strengthen the supervisory and auditing functions of the <i>Kansayaku</i> Board of the Company and appointed her as an independent <i>kansayaku</i> . Also, she is listed as an independent <i>kansayaku</i> in the Tokyo Stock Exchange, based on our judgment that she meets the independence standards set forth in the "Guidelines for Listing Management, etc." and the Standards and Qualifications for Independence set forth by the Company, and since there is no special interest in the Company, she will not cause any possible conflicts of interest with general shareholders.
Yoshiyuki Honda	○	–	Mr. Yoshiyuki Honda is a certified public accountant and a U.S. certified public accountant who has been engaged in auditing business, and has also served as CFO and representative director and representative

			<p>executive officer of several companies, and has abundant experience and achievements as CFO and manager, as well as expert knowledge on corporate accounting and finance, and extensive insight on corporate management. Based on this experience and insight, he has given valuable advice and opinions from an independent and objective standpoint as an outside <i>kansayaku</i> of the Company since 2016. Based on this and other factors, the Company judged that he is suitable for continuing to strengthen the supervisory and auditing functions, etc. of <i>Kansayaku</i> Board of the Company and appointed him as an independent <i>kansayaku</i>. Also, he is listed as an independent <i>kansayaku</i> in the Tokyo Stock Exchange, based on our judgment that he meets the independence standards set forth in the "Guidelines for Listing Management, etc." and the Standards and Qualifications for Independence set forth by the Company, and since there is no special interest in the Company, he will not cause any possible conflicts of interest with general shareholders.</p>
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Independent Directors/Kansayaku

[Updated]

Number of Independent Directors/Kansayaku

5

Other matters relating to Independent Directors/Kansayaku

The Company's Board of Directors has established standards and qualifications for determining the independence of Outside Directors and Outside *Kansayaku*.

The details are as stated in "[Principle 4-9] Independence Standards and Qualifications for Independent Directors" above.

The Company designates all outside directors who fulfill the qualifications for Independent Directors as Independent Directors in accordance with the independence standards set forth in the "Guidelines for Listing Management, etc." and the Standards and Qualifications for Independence set forth by the Company.

Incentives

Incentive policies for Directors

Introduction of performance-linked compensation system (including the stock price linked incentive) and others

Supplementary information

None

Recipients of stock options

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Supplementary information

None

Director remuneration [Updated]

Disclosure of individual Directors' remuneration

Selected Directors

Supplementary information

Directors receiving a consolidated remuneration of 100 million yen or more include Representative Director Sarah L. Casanova., Representative Director Tamotsu Hiiro and Representative Director Atsuo Shimodaira. Breakdown of remunerations are as follows:

Sarah L. Casanova: monthly remuneration of 71 million yen from the Company, stock price linked type compensation of 24 million yen, performance linked compensation of 26 million yen and a retirement benefit of 9 million yen. McDonald's Japan Co., Ltd., a consolidated subsidiary company, provides a monthly remuneration of 71 million yen, stock price linked compensation of 24 million yen and performance linked compensation of 26 million yen and retirement benefits of 9 million yen.

Tamotsu Hiiro: monthly remuneration of 30 million yen from the Company, stock price linked type compensation of 30 million yen, performance linked compensation of 31 million yen and a retirement benefit of 8 million yen. McDonald's Japan Co., Ltd., a consolidated subsidiary company, provides a monthly remuneration of 30 million yen, stock price linked compensation of 30 million yen, performance linked compensation of 31 million yen and retirement benefits of 8 million yen.

Atsuo Shimodaira: monthly remuneration of 21 million yen from the Company, stock price linked type compensation of 9 million yen, performance linked compensation of 17 million yen and a retirement benefit of 5 million yen. McDonald's Japan Co., Ltd., a consolidated subsidiary company, provides a monthly remuneration of 21 million yen, stock price linked compensation of 9 million yen, performance linked compensation of 17 million yen and retirement benefits of 5 million yen.

Policy on determining remuneration amounts and calculation methods

Established

Disclosure of policy on determining remuneration amounts and calculation methods

Regarding the remuneration amount for Directors, an overall approach is taken to review the Company's performance, the Director's position and responsibilities to determine the amount within the limit approved at the general meeting of shareholders. During the 47th Ordinary General Meeting of Shareholders held on March 28, 2018, a decision was made to set the remuneration amount for Directors at 1.2 billion yen per year or lower (excludes the employee's remuneration amount of those in a Director & employee position and the remuneration amount from the consolidated subsidiary companies). Monthly remuneration, stock price linked remuneration, performance linked remuneration and retirement allowance are provided within the limits based on Article 361, Paragraph 1 of the Company Act.

Supporting system for Outside Directors and/or Outside Kansayaku Board Members

Legal Division is the contact for Outside Directors, and a Full-Time *Kansayaku* and Internal Audit division and Legal Division are the contact for Outside *Kansayaku*, providing information and explanation of the Company or the overall group necessary for the auditing process.

Also, Ernst & Young ShinNihon LLC, the Independent Auditor, Internal Audit and the *Kansayaku* Board are responsible for reporting the results of statutory audits based on the Corporate Law and the Financial Instruments and Exchange Act. In addition, collaborations are made including a mutual exchange of information and opinions as required, striving to secure the effectiveness and efficiency of audits.

2. Matters on functions of business execution, auditing, oversight, nomination and remuneration decisions: overview of current corporate governance system [Updated]

We are a company with Board of Directors, *Kansayaku* Board and Independent Auditors.

The Group adopts the executive officer system and separates the Directors and the duties performed by the

executive officers. The Board of Directors, made of nine individuals including three Independent Directors, makes important business decisions, executes and supervises the duties of a Director. Executive officers are responsible for the implementation of an agile operation.

Also, the Company has setup the “Executive Management Team (EMT)”, consisting of the CEO and other members selected by the CEO, within McDonald’s Company (Japan), Ltd., an operating company. EMT receives reports as required from executive officers and collaborates with them to ensure a smooth execution of the business, and makes business decisions to the extent set by the Board of Directors of the said company to ensure a speedy decision-making process.

Nominations of candidates for Directors and *Kansayaku* are deliberated in advance by the Nomination Committee, and decisions are made by the Board of Directors with reference to the results of such deliberations.

Remuneration for Directors is determined by the “Compensation Committee”, an optional advisory body and chaired by an Outside Director.

Regarding the Company’s internal audit organization, an independent Internal Audit under direct control by the CEO, is established. The scope of internal audit includes the Company and its consolidated subsidiaries. Through this and based on the risk-approach concept, identification of latent or obvious risks that may exist in individual business processes and auditing of the business and assets are made. Its mission is to make contributions in the areas of compliance in laws and regulations, maintain company assets, streamline the operation and strengthen internal control functions.

Specifically, an audit is conducted based on an annual internal audit plan approved by the CEO, and report the results to the head of the audited division. Internal Audit Office and the audited division discuss a remediation plan and Internal Audit submits the audit report to the CEO and *Kansayaku* after the agreed remediation plan is made. A time frame for remediation is set for the audited division, and a follow-up audit is made promptly after the set time to check the remediated results and ensure the effectiveness of internal audits.

Regarding audits conducted by *Kansayaku*, the *Kansayaku* Board consisted of one Full-Time and three Outside *Kansayaku*, is setup to monitor the business. Further, close collaborations are made with Internal Audit to conduct strict audits in accordance with “Auditing Standards for *Kansayaku*.”

Also, Ernst & Young ShinNihon LLC, the Independent Auditor, Internal Audit and the *Kansayaku* Board are responsible for reporting the results of statutory audits based on the Corporate Law and the Financial Instruments and Exchange Act. In addition, collaborations are made including a mutual exchange of information and opinions as required, striving to secure the effectiveness and efficiency of audits.

The Company has entered into an agreement with Directors (Mr. Arosha Wijemuni, Mr. Jo Sempels, Mr. Akira Kawamura, Mr. Masataka Ueda and Mr. Tetsu Takahashi) and *Kansayaku* (Mr. Takaaki Ishii, Ms. Ellen Caya, Ms. Yuko Tashiro and Mr. Yoshiyuki Honda) to limit their liability for damages under Article 423, Paragraph 1 of the Companies Act in accordance with the provisions of Article 427, Paragraph 1 of the Companies Act. The maximum amount of liability for damages under the said agreement is the amount stipulated in laws and regulations.

3. Reason for adoption of current corporate governance system [Updated]

The Company have selected a company with *Kansayaku* Board that has the dual check function of supervision by the Board of Directors and legality audits by *Kansayaku* for business execution.

Under the system of a company with *Kansayaku* Board, the Company have appointed several independent outside Directors for the purpose of receiving advice, etc. from an independent and objective standpoint, and strengthening the supervisory function.

In addition, the majority of the members of the Compensation Committee and the Nomination Committee, which are advisory bodies to the Board of Directors, are Independent Outside Directors and the Independent Outside Directors chair these committees to ensure objectivity and transparency in the remuneration of Directors and the selection/dismissal of Directors.

Regarding business execution, the Board of Directors, the decision-making body of the business and supervision body of the operation, and the business execution body of executive officers are separated to ensure a management system that can respond quickly to changes in business environment.

III. Implementation of measures for shareholders and other stakeholders

1. Measures to vitalize the general meeting of shareholders and enable smooth exercise of voting rights

	Supplementary information
Scheduling AGMs avoiding the peak day	To ensure convenience of our shareholders, AGM is scheduled in the afternoon to avoid the peak day and selects a day to avoid overlapping with that of other companies.
Exercise of voting rights via the Internet	we have introduced the exercise of voting rights via the Internet
Other	AGM is introduced in both video images and in writing on the Company's official website. The Company also provide live streaming of AGM on the day of AGM (participatory virtual AGM)

2. IR activities

	Supplementary information	Briefing by the representative directors
Regular briefings for retail investors	Full-year financial statements and Q2 financial results announcements, including briefing sessions as required.	Yes
Posting of IR materials on website	Presentation in a video format at the full-year financial statements and Q2 financial results briefing. Attachments including earnings summary and other handouts at the venue are provided as well.	
Establishment of department and/or manager in charge of IR	IR Group is established.	

3. Measures to ensure due respect for stakeholders [Updated]

	Supplementary information
Stipulation of internal rules for respecting the position of stakeholders	These are stipulated in the "Code of Business Conduct."
Implementation of environmental activities, CSR activities etc.	<p>Sustainability & ESG division is setup in McDonald's Company (Japan), Ltd., a consolidated subsidiary company. As part of the Company's social responsibilities, the division conducts energy & waste management, implements environmental conservation activities including the reduction of environmental impact and engages in various social contribution programs such as supporting the Ronald McDonald House Charities, supporting kids sports, providing food education and giving back to our communities.</p> <p>In accordance with the purpose of the SDGs, McDonald's Japan remains committed to realize a sustainable society and better environment with a focus on the four areas of "Food Quality & Sourcing", "Our Planet", "Community Connection" and "Job, Inclusion and Empowerment".</p> <p>To ensure an appropriate disclosure of information, a Sustainability Report is issued every year to report opportunities shared with stakeholders and implemented actions.</p>
Development of policies on information provision to stakeholders	In compliance with the information disclosure guidance of the Tokyo Stock Exchange, we strive to disclose information in a

timely and appropriate fashion. Also, “Insider Trading Prevention Regulations” is formulated and used by the Legal division to provide reminders to the employees.

IV. Matters related to the internal control system

1. Basic views on the internal control system and the progress of system development

Systems of the Company Group to ensure Directors’ operations are performed properly in accordance with the laws and regulations and the Article of Association of the Company are as follows:

1. System for Preservation and Management of Information relating to Fulfillment of Duties by Board Members

- (1) Minutes of meetings of the Board of Directors and minutes of general shareholders’ meetings, financial documents and business reports, minutes of meetings of the Executive Management Team (hereinafter referred as “EMT”) of the consolidated subsidiary, records of preliminary examination and approval based on Delegation of Authority Guidelines, minutes of meetings of the *Kansayaku* Board, documents relating to activities of *Kansayaku*, and other documents designated by the Board of Directors and the *Kansayaku* Board (including those in an electromagnetic form) shall be preserved and managed for 10 years together with their pertinent materials.
- (2) The “Document Preservation and Management Rules” shall be developed to prescribe periods and methods to preserve documents regarding performance of operations according to the importance of documents. All employees must be familiarized with the rules and each division shall establish its daily document management criteria and implement necessary training and education regarding the rules and criteria.

2. Rules and Other Systems for Management of Risks of Losses

- (1) The Enterprise Risk Management Committee is responsible for securing risk management in accordance with Enterprise Risk Management Committee Regulations, which stipulate the details of risk management for the Company Group, and a member or members in charge of risk management in each division shall ensure the penetration of risk management procedures in the division. To assure preliminary risk assessment procedures will be conducted properly, the Delegation of Authority Guidelines shall specify whether preliminary assessment of individual departments or EMT is needed and all employees shall receive education and training on the guidelines to ensure their sufficient understanding of the guidelines.
- (2) Internal Audit shall be established as a function independent from all other departments to audit business processes in individual departments for risk identification and prevention as well as for business process improvement.
- (3) When necessary, an emergency task force shall be formed with a necessary number of members to address and deal with massive such risks as casualties, disasters and scandals. Risks that should be addressed by and specific tasks and authorities of the task force shall be defined in Crisis Management Regulations and Large-Scale Disaster Response Headquarters Regulations.
- (4) According to Crisis Management Regulations, considering the nature of the Company’s business, the Company shall ① enhance the reporting system by setting up the Emergency Hotline in accordance with Emergency Hotline Regulations to establish the risk management system to deal with emergencies in restaurants and ② specifically set forth the roles of each department for each accident level and the methods how to deal with the accident by setting “the Rules on Emergency Level Management and Stock Recovery of Restaurant Commodities and Products” with regard to the methods how to deal with emergencies in restaurants.

3. System to Ensure Efficient Performance of Duties by Directors

The “Rules for the Board of Directors” and “Detailed Regulations for the Board of Directors” shall define the matters to be resolved and to be reported at meetings of the Board of Directors. Each member of the Board shall ensure appropriate allocation of authorities and proper decision making in accordance with the “Rules on Segregation of Duties” and “Delegation of Authority Guidelines” for efficient and proper performance of his/her duties. Each member of the Board shall also make proposals as needed to a meeting of the Board and the Representative Director in order to establish the system to assure efficient reporting to the Board of Directors concerning the decision of the Company’s managerial policies, consideration and decision of important matters, and the enhancement and operation of the Company’s compliance system and risk management system.

4. System to Ensure Performance of Duties of Directors and Employees in Compliance with Laws and Regulations and Company Article of Association

- (1) The Enterprise Risk Management Committee shall be established with the Representative Director and CEO of the consolidated subsidiary as its chairman and COO, CFO, Vice President for Legal and Governance Division and Vice President for Human Resource Division of consolidated subsidiary as committee member. Enterprise Risk Management Committee shall have authority to conduct the surveys necessary to maintain and ensure that the Directors and Employees of the Group execute their duties in compliance with laws and the Articles of Association and to provide guidance. Authorities and activities of the Enterprise Risk Management Committee shall be specified in the “Enterprise Risk Management Committee Regulations”.
- (2) A handbook of “Standards of Business Conduct” shall be developed to describe compliance in plain language and distributed to employees. Each employee will be required to submit a written oath to assure their compliance with the standards
- (3) Training needed to secure compliance shall be provided to Directors, Vice Presidents, staff members and other relevant employees and contents of training shall be decided depending on their positions and responsibilities.
- (4) The “Delegation of Authority Guidelines” shall be developed to specify approval authorities of Directors and employees concerning performance of operations in the Company according to their positions and responsibilities, and to specify the necessity of prior approval of relevant departments or EMT and of resolution or reporting at meetings of the Board of Directors. In addition, the “EMT Rules” shall be formulated to ensure the EMT will examine important operating decisions in advance. All employees shall be familiarized with the above guidelines and rules.
- (5) Internal Audit shall be established as an independent function from all other departments to find and prevent misconducts and improve business processes.
- (6) The above initiatives shall be actively disclosed to shareholders, investors, and the society as well as to Directors and employees in order to raise their awareness for the compliance system and secure its transparency.

5. System to Ensure Appropriateness of Operations in the Group

To maintain the appropriateness of operations performed in our entire group including the Company, McDonald’s Company (Japan), Ltd. which is a member of the Company group shall implement procedures to ensure proper performance of operations in their companies in accordance with the “Internal Control Rules”, and shall maintain a reporting system to ensure that any matter deemed important for maintaining proper operations is reported to the Company.

6. Matters related to Assistants to *Kansayaku* Appointed by *Kansayaku*

Kansayaku shall appoint employees who have sufficient expertise and knowledge to perform assistant works for *Kansayaku* as assistant to *Kansayaku* as soon as possible upon the request of *Kansayaku*. Directors and employees shall extend equal assistance and cooperation to the assistants in conducting investigation, auditing and other relevant activities to those they would extend to *Kansayaku*.

7. Matters related to Independence of Assistants to *Kansayaku* from the Board of Directors and Systems to ensure the effectiveness of Requests from *Kansayaku* to the Assistants.

The assistants to *Kansayaku* will not belong to the Board of Directors’ chain of command and order and assist *Kansayaku* independently from the Board. Reassignment of and disciplinary actions and other measures against the assistants shall be report to and approved by the *Kansayaku* Board prior to their implementation.

8. System for Directors, Employees and Others to report to *Kansayaku*

- (1) Internal Audit Office, Treasury and Legal Services departments shall immediately report to *Kansayaku* on any violation of law or regulation or potential serious damages to the Company that they find in performing their duties
- (2) Directors shall disseminate the reporting obligations described above as best they can in the Company.
- (3) The Enterprise Risk Management Committee shall inform any violation of law or regulation or potential serious damages to *Kansayaku* through the chairman of the committee as soon as they are informed of such violation or damages by a Director or employee. Any violation or potential damage reported through the internal reporting process shall be reported to *Kansayaku* as well.
- (4) Directors and employees must promptly report on their performance of operations upon the request of *Kansayaku*.
- (5) *Kansayaku* will receive a report as needed on audits conducted by the Internal Audit and may request additional auditing or improvement of operations or other measures that they determine necessary.

9. System to ensure that those who reported to *Kansayaku* do not receive any disadvantageous treatment due to the report

According to the "Internal Control Regulations", the Company shall not give any disadvantageous treatment to the Group's officer/employee who has reported to *Kansayaku* of the Group on the basis of the fact that such officer/employee has so reported.

10. Policy concerning the processing of expenses and other treatments arising from Performance of Duties of *Kansayaku*

According to the "Internal Control Regulations", the Company shall quickly process the expense or debt when *Kansayaku* requests for advance payment of expenses arising from its performance of duties.

11. Other Procedures to Ensure Effective Auditing by *Kansayaku*

- (1) The *Kansayaku* Board may work together with the consolidated subsidiary's Internal Audit and the Independent Auditor in conducting audit. Full-time *Kansayaku* and a person designated by Full-Time *Kansayaku* may attend any meeting that discusses about important operations (regardless of the type of the meeting), express their views and ask for explanation at the meeting.
- (2) *Kansayaku* shall supervise Independent Auditor and may receive separate reports on audits conducted by Independent Auditor to secure independence of Independent Auditor from Directors.
- (3) To maintain the optimization of the performance of business of the Group, the Company shall have McDonalds Company (Japan), Ltd., which forms the corporate group, establish the same system for work optimization as the system defined in Internal Control Regulations, and report to the Company with regard to the matters to be considered important to ensure appropriate performance of the business of the Group. The Company revised Internal Control Regulations in 2015 and clarified that the internal audit department and each division in charge of the consolidated subsidiary can directly report to *Kansayaku* of the Company and also clarified the prohibition of disadvantageous treatments, obligations to cooperate the assistants to *Kansayaku*, and processing of expense arising from *Kansayaku*' performance of duties etc.

2. Basic views on excluding organized crime and the progress of system development

The Group has no relations whatsoever with corporate extortionists, organized crime groups and other anti-social forces, and it will continue to firmly refuse any unjust demands from such anti-social forces. In case when an organized crime group or such threatens us by using product complaints as an excuse for the purpose of receiving illegal monetary gains, we will deal with the principles of "we are not afraid of organized crime groups", "we will not pay to the organized crime groups" and "we will not make use of the organized crime groups."

The principle ideas of rejecting the above anti-social forces are listed in the "Code of Business Conducts" handbook.

V. Other

1. Adoption of anti-takeover measures

Adoption of anti-takeover measures

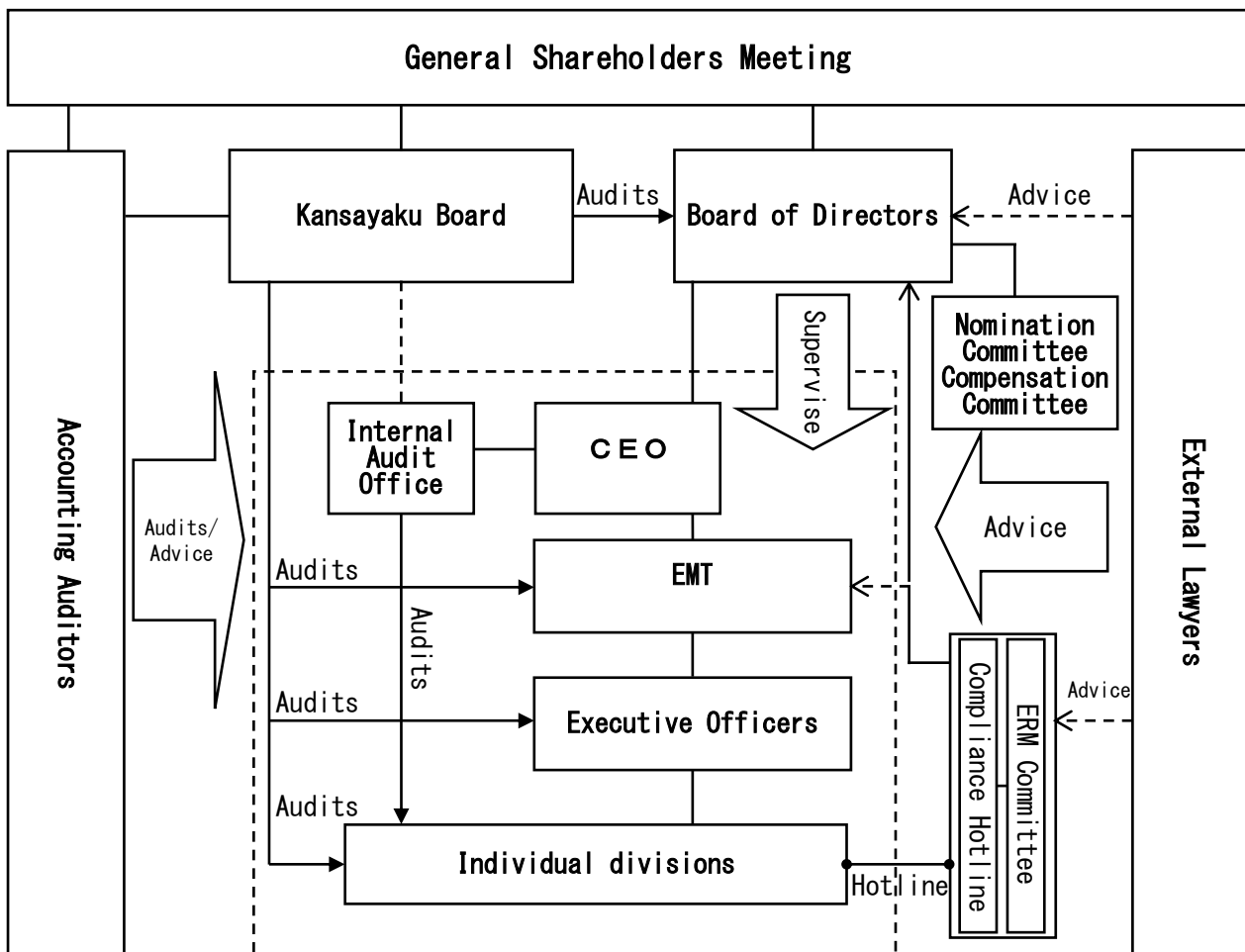
Not adopted

Supplementary information

None

2. Other matters concerning the corporate governance systems

The following is a chart of the corporate governance system of the Group:



<Chart of the Timely Disclosure System of the Group>

